

Message Text

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E.O. 11652: N/A

TAGS: PFOR, ECON, JM

SUBJECT: PM MANLEY COMMENTS ON JAMAICAN-ECONOMIC SITUATION

1. SUMMARY: IN RECENT TELEVISED BROADCAST, PM MANLEY DISCUSSED PRESENT ECONOMIC SITUATION, PREVIEWED SOME OF NEW MEASURES TO BE INTRODUCED (KINGSTON 0922 AND 0924) AND REAFFIRMED GOJ COMMITMENT TO SOCIAL REFORM PROGRAMS. END SUMMARY.

2. MANLEY SAID PRESENT CRITICAL ECONOMIC SITUATION RESULTED FROM VARIETY OF FACTORS INCLUDING SEVERE DROUGHT IN 74, "BAD STATE OF AFFAIRS IN NORTH AMERICAN ALUMINUM MARKET", SEVERE DROP IN WORLD SUGAR CRISIS, FALL IN PRODUCTION, ETC. IN ADDITION, RESULTS OF LAST YEAR'S ANTI-INFLATION PACKAGE HAD BEEN DISAPPOINTING. IN 1974 COST OF LIVING ROSE 30 PERCENT AND IN 1975 15.7 PERCENT, WHICH WAS STILL TOO HIGH. PRIVATE SECTOR HAD FAILED TO TAKE ADVANTAGE OF MANY INCENTIVES PROVIDED, AND PROGRAM TO ENCOURAGE FIRMS TO EMPLOY "IMPACT PROGRAM" WORKERS HAD HAD LIMITED SUCCESS. DROP IN FOREIGN EXCHANGE EARNINGS FROM \$300 MILLION TO

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\$180 MILLION HAD SEVERE BUDGETARY IMPLICATIONS,

AND CHANGE MEANT ONLY \$74 MILLION AVAILABLE FOR THIS YEAR'S BUDGET AS OPPOSED TO \$147 MILLION LAST YEAR.

3. TEAM OF MINISTERS AND OTHERS HAD REVIEWED SITUATION AND CONCLUDED DESPITE SHORTAGE OF FUNDS "THERE IS NO WAY THIS GOVERNMENT SHOULD ABANDON ANY OF ITS ON-GOING PROGRAMS FOR SOCIAL CHANGE AND ECONOMIC DEVELOPMENT." AS A RESULT, NEW TAXES NECESSARY TO IMPLEMENT GOJ'S POLICIES. "WE HAVE TO FIND OUT OF OUR OWN POCKETS THE MILLIONS OF DOLLARS WHICH BAUXITE AND SUGAR WILL NOT PROVIDE THIS YEAR--OR TURN BACK THE PROGRAMS AND TURN BACK THE PROGRESS. AND WHAT THIS WILL MEAN IS THE BIGGEST TAX PROGRAM WE HAVE EVER HAD TO PUT TO OUR COUNTRY"

4. DESPITE GOJ AFFIRMATION OF A POLICY OF MIXED ECONOMY, PRIVATE SECTOR HAD FAILED TO PERFORM. "THEY MUST REVITALIZE THEMSELVES AND PRODUCE. WE WANT A VITAL AND DYNAMIC PRIVATE SECTOR WITH MAXIMUM WORKER PARTICIPATION". "OUR LACK OF PRODUCTION AND WHAT IT IS COSTING US TO PRODUCE IS A REAL CRISIS. WE MUST PRODUCE OR PERISH AND WE MUST PRODUCE AT COMPETITIVE PRICES".

5. NEW WAGE AND PRICE GUIDELINES WOULD BE INTRODUCED FOR A ONE-YEAR PERIOD. THEIR PURPOSE WAS: A) TO CONTROL WAGE INCREASES; B) PROVIDE SPECIAL CONSIDERATION FOR LOW INCOME GROUPS; C) ENSURE STRINGENT MONITORING OF PRICES, AND D) ENCOURAGE WORKERS AND COMPANIES TO WORK OUT PROFIT-SHARING ARRANGEMENTS.

6. MANLEY EFINED FOUR PRINCIPLES WHICH HAD GUIDED HIS DECISIONS: A) DETERMINATION TO PRESS FORWARD WITH 1972 PROGRAMS WHICH "GUIDE US TOWARDS A SOCIALLY JUST SOCIETY", B) INCREASED TAXATION BURDEN WOULD FALL ON THOSE MOST ABLE TO PAY, C) EVERY EFFORT WOULD BE MADE TO SUPPORT PRODUCTIVE SECTORS, AND D) THERE MUST BE A NATIONAL INCOMES AND PRICES POLICY. LIMITED OFFICIAL USE

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7. MANLEY ENDED HIS SPEECH WITH A PLEA FOR UNITY AND COMBINED EFFORT. "ALL JAMAICA NEEDS TO WORK TOGETHER NOW MORE THAN EVER. IT IS NOT THE GOVERNMENT ALONE, IT IS NOT THE PRIVATE SECTOR ALONE, ITS IS NOT ANY SPECIAL GROUP BY ITSELF. IT IS A TIME FOR ALL THE PEOPLE OF THIS COUNTRY TO RALLY THEMSELVES, TO PRODUCE FOR THEMSELVES; IT IS A TIME

FOR SOME OF US TO DENY OURSELVES OF MANY MATERIAL THINGS WE HAVE ALWAYS TAKEN FOR GRANTED; IT IS A TIME FOR ALL OF US TO BE DETERMINED, AS JAMAICANS, TO WORK TOWARDS THE GOAL THAT ALL OUR BROTHERS AND SISTERS ARE AFFORDED THE BASIC NECESSITIES OF LIFE"

8. COMMENT: IN MARKED CONTRAST TO HIS USUAL STYLE, MANLEY'S SPEECH WAS REMARKABLE FOR ITS SOBRIETY, BREVITY, LACK OF POLITICAL RHETORIC, AND ACTUAL ADMISSION THAT ANTI-INFLATION PACKAGE RESULTS HAD BEEN DISAPPOINTING. THERE WAS NO ADVANCE PUBLICITY PRIOR TO TV BROADCAST, AND SPEECH COMPARABLE IN TONE AND CONTENT TO JANUARY 1974 "SURVIVAL PACKAGE" ANNOUNCEMENT. IT WAS ALSO EVIDENT MANLEY DID NOT ENJOY HIS ROLE AS PURVEYOR OF BAD NEWS. HIS RE-AFFIRMATION OF COMMITMENT TO SOCIAL REFORM PROGRAMS WAS ESSENTIALLY MEANINGLESS IN CONTEXT WHERE GOJ CAPABILITY TO IMPLEMENT MOST BASIC ECONOMIC MEASURES ALREADY QUESTIONABLE, AND WHERE AVERAGE JAMAICAN'S STANDARD OF LIVING CONTINUES TO DETERIORATE.
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